

Message Text

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PAGE 01 LUXEMB 00311 171612Z

71

ACTION EUR-25

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INFO AMEMBASSY BONN

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AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS UNN

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USNATO BRUSSELS 457

C O N F I D E N T I A L LUXEMBOURG 0311

E.O. 11652: GDS

TAGS: EEC, UK, LU

SUBJ: EC RENEGOTIATIONS

1. JEAN SCHLEICH, DEPUTY DIRECTOR OF INTERNATIONAL ECONOMIC RELATIONS, TOLD ECONOMIC OFFICER MAY 17 THAT MICHAEL BUTLER (BRITISH ASSISTANT UNDER SECRETARY, FCO) HAD MET MAY 15 IN BRUSSELS WITH REPRESENTATIVES FROM BENELUX COUNTRIES AS A GROUP TO DISCUSS EC RENEGOTIATIONS.

2. ACCORDING TO SCHLEICH, WHO WAS NOT PRESENT, BUTLER FOCUSED ALMOST EXCLUSIVELY ON QUESTION OF THE EC BUDGET. SCHLEICH DESCRIBED THE PLAN PUT FORTH BY BUTLER AS VAGUE BUT SAID ITS PRINCIPLE THRUST WAS FOR BUDGET CONTRIBUTIONS
CONFIDENTIAL

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PAGE 02 LUXEMB 00311 171612Z

BASED ON GNP OR SOME OTHER MUTUALLY AGREEABLE ECONOMIC

BASE. BUTLER POINTED OUT THAT THE CURRENT ACCESSION AGREEMENT WOULD RESULT IN UK EVENTUALLY CONTRIBUTING 24 PERCENT TO THE EC BUDGET AT TIME WHEN THE UK SHARE OF EC COMBINED GNP IS EXPECTED TO BE 14 PERCENT. BUTLER SUGGESTED THAT THE EC UNDERTAKE AN ANNUAL ACCOUNTING OF MEMBER STATES CONTRIBUTIONS IN RELATION TO GNP AT WHICH TIME ADJUSTMENTS WOULD BE MADE IN MEMBER STATES CONTRIBUTIONS TO COMPENSATE FOR OVER OR UNDERPAYMENT DURING THE PREVIOUS YEAR.

3. SCHLEICH BELIEVES THAT THE GOL MAY BE WILLING TO MAKE SOME ACCOMMODATION TO UK IN TERMS OF PERCENTAGE SHARES PAID INTO THE EC BUDGET AS LONG AS THE UK IS WILLING TO ACCEPT THE BASIC BUDGET PRINCIPLE THAT THE EC BUDGET WILL BE FINANCED COMPLETELY FROM THE COMMUNITY'S RECEIPTS (CUSTOMS DUTIES, TVA, ETC.). SCHLEICH ADDED THAT BUTLER HAD INDICATED THAT THE UK IS WILLING TO ACCEPT THIS PRINCIPLE. WHEN ASKED WHETHER BUTLER WAS TALKING IN TERMS OF NET OR GROSS BUDGET CONTRIBUTIONS, SCHLEICH SAID THAT HE THOUGHT BUTLER WAS TALKING ONLY OF GROSS BUDGET CONTRIBUTIONS ALTHOUGH SCHLEICH THOUGHT THAT THE "NET CONTRIBUTION" CONCEPT COULD BE FACTORED INTO THE ANNUAL ACCOUNTING SCHEME IF THE EIGHT WERE WILLING TO ACCEPT THE ANNUAL CALCULATION PRINCIPLE.

4. SCHLEICH REPORTED THAT BUTLER IMPLIED THE UK WPLL CONCENTRATE ON THE BUDGET QUESTION AT THE JUNE MINISTERIAL ALTHOUGH FOREIGN SECRETARY CALLAGHAN WILL ALSO MAKE GENERAL STATEMENTS ON THE CAP AND PERHAPS OTHER ITEMS. BUTLER INDICATED THAT THE CAP ASPECTS CAN BE RESOLVED OVER A PERIOD OF MONTHS BUT THAT THE UK HOPES TO ACHIEVE PROGRESS ON THE BUDGET QUESTION AT THE JUNE 4 MEETING.

5. SCHLEICH THOUGHT THAT THE GOL AND PRESUMABLY THE OTHER EC MEMBER STATES WOULD BE RELUCTANT TO MAKE CONCESSIONS ON THE BUDGET UNTIL THE BRITISH MADE CLEAR THEIR DESIRES ON OTHER ITEMS RAISED BY CALLAGHAN AT THE APRIL MINISTERIAL. IT IS NECESSARY, SCHLEICH ADDED, TO WRAP THE ENTIRE QUESTION OF RENEGOTIATION INTO ONE PACKAGE AND FINISH WITH THE PROBLEM ONCE AND FOR ALL. FARKAS
CONFIDENTIAL

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PAGE 03 LUXEMB 00311 171612Z

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